

CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

NOTICE OF PROPOSED ACTION Loan Portfolio Restructure Amended Guidelines

NOTICE IS HEREBY GIVEN that the California Department of Housing and Community Development (Department) has proposed amendments to the Loan Portfolio Restructure (LPR) guidelines which will adopt the recent amendments to the adopted Uniform Multifamily Regulations (UMRs) of November 15, 2017.

WRITTEN COMMENT PERIOD

Any interested person, or their authorized representative, may submit written comments relevant to the proposed action to the Department. The written comment period begins **June 21, 2019** and closes at **5:00 p.m. on July 12, 2019**. The Department will consider all comments received during this timeframe. Please submit comments to HCDLPR@hcd.ca.gov and include **LPR Amended Guidelines Public Comments** in the subject line. Written comments can also be sent via mail to:

California Department of Housing and Community Development
2020 West El Camino, Suite 650, Sacramento, CA 95833
Attention: Ryan George - LPR Amended Guidelines Public Comments

PUBLIC HEARINGS

A public hearing is scheduled on the proposed guidelines at the following location:

Date: July 1, 2019
Time: 1:00 p.m. – 2:00 p.m.
Location: California Department of Housing and Community Development
2020 West El Camino Avenue, Conference Room 402 A/B
Sacramento, CA 95833

At the hearing, any person may present statements or arguments orally or in writing relevant to the proposed action described in the Informative Digest. The Department requests, but does not require, that persons who make oral comments at the hearing also submit a written copy of their testimony at the hearing. ***Please reference the section of the proposed guidelines on which you are commenting in your oral or written comments.***

AUTHORITY AND REFERENCE

The Department is conducting this guideline development activity pursuant to the authority provided by Health and Safety Code Sections 50560, 50561, 50562 and Chapter 3.9 of Part 2 of Division 31 of the Health and Safety Code (Chapter 3.9). Chapter 3.9 authorized the Department, under specific loan programs, to extend the term of the existing multifamily housing loans, subordinate a Department loan to new

debt, and authorize an investment of tax credit equity in developments with Department loans.

INFORMATIVE DIGEST/POLICY STATEMENT OVERVIEW

The UMRs set forth in Title 25, Division 1, Chapter 7, subchapter 19 (commencing with section 8300) of the California Code of Regulations became effective on November 15, 2017. The UMRs provide uniform standards and program rules for multifamily rental housing developments assisted by the Department. The Department is issuing this interpretative guidance to clarify its construction of the program guidelines in view of the recent amendments to the UMRs, and in anticipation of any future amendments thereto.

IMPACT OF PROPOSED REGULATIONS

Since the adoption of the November 15, 2017 UMRs, stakeholders, both internally and externally, have expressed the financial impact and difficulty of long-term project monitoring under the LPR guidelines, as the applicable July 11, 2010 UMRs conflict with other Department funding sources and underwriting requirements subject to the November 15, 2017 UMRs. The anticipated benefits of the proposed amended guidelines include, but are not limited to: (1) streamlining underwriting and long-term monitoring efforts with other Department funding sources; and (2) updating and standardizing the underwriting standards to ensure consistency among the Department's programs.

EVALUATION OF WHETHER THESE REGULATIONS ARE INCONSISTENT OR INCOMPATIBLE WITH EXISTING STATE REGULATIONS

Pursuant to Government Code Section 11346.5 subdivision (a)(3)(D), the Department must evaluate whether the proposed regulations are inconsistent or incompatible with existing state regulations. Pursuant to this evaluation, the Department has concluded that the proposed regulations are not inconsistent or incompatible with existing state regulations.

LOCAL MANDATE

The Department has determined that these regulations do not impose a mandate on local agencies or school districts. Participation in the program is voluntary and eligibility for the program is limited to multifamily property owners with the capacity to develop and administer affordable housing.

FISCAL IMPACT

The Department has determined that no savings or increased costs to any state agency, no reimbursable costs or savings under Part 7 (commencing with Section 17500) of Division 4 of the Government Code to local agencies or school districts, no nondiscretionary costs or savings to local agencies or school districts, and no costs or savings in federal funding to the state will result from the proposed action. The

Department is not committing any new funds to the projects eligible under the provisions of these amended guidelines. By bringing the rules for various programs into conformance with the Department's UMRs, the Department anticipates that, over time, the proposed changes will result in modest reductions in administrative costs.

RESULTS OF ECONOMIC IMPACT ASSESSMENT

The Department has determined that the proposed amended guidelines will not have a significant impact on the creation of new businesses, the elimination of existing businesses within California, or the expansion of businesses currently operating in California. The proposed amended guidelines will have no significant impact on the health and welfare of California residents, worker safety, or the state's environment. Participation is voluntary.

The Economic Impact Assessment prepared pursuant to Government Code Section 11346.3(b) was relied upon by the Department in preparing the amended proposed guidelines.

EFFECT ON SMALL BUSINESS

The Department has determined that the proposed action has no impact on small business because participation in LPR is voluntary.

EFFECT ON HOUSING COSTS

The Department has determined that the proposed action has no significant impact on housing costs in California.

INITIAL DETERMINATION OF STATEWIDE ADVERSE ECONOMIC IMPACT DIRECTLY AFFECTING BUSINESSES

The Department has made an initial determination that the proposed action will not have a significant statewide adverse economic impact directly affecting businesses, including the ability of California businesses to compete with businesses in other states.

The Department has determined that the amended guidelines will not affect the creation or elimination of jobs in California; the creation of new businesses or the elimination of existing businesses within California; or the expansion of businesses currently operating in California. It will not have a significant statewide impact on the health and welfare of California residents, worker safety, or the state's environment. Participation is voluntary.

COST IMPACTS ON PRIVATE PERSONS OR BUSINESSES DIRECTLY AFFECTED

The Department is not aware of any cost impacts that a representative private person or business would necessarily incur in reasonable compliance with the proposed action. While private businesses (including nonprofits) are eligible to participate under LPR, participation is voluntary.

CONSIDERATION OF ALTERNATIVES

The Department must determine that no reasonable alternative considered by the Department, or that has otherwise been identified and brought to the attention of the Department, would be more effective in carrying out the purpose for which the action is proposed, or would be as effective and less burdensome to affected private persons than the proposed action, or would be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law. The Department has discussed alternatives it considered, and why it chose the proposed actions it selected, in its guidelines text and Initial Statement of Reasons.

AVAILABILITY OF TEXT OF PROPOSED GUIDELINES AND INITIAL STATEMENT OF REASONS

The text of the proposed guidelines is available on the Department's website, at <http://www.hcd.ca.gov/grants-funding/active-no-funding/lpr.shtml>. All information the Department is considering as a basis for this proposal is maintained in a guidelines file, which is available for inspection at the address noted below. Copies can be obtained by contacting Ryan George at the address noted below.

AVAILABILITY OF CHANGED OR MODIFIED TEXT

Following the written comment period, the Department may adopt the proposed amended guidelines substantially, as described in this notice. If the Department makes modifications, which are sufficiently related to the originally proposed text, it will make the modified text--with changes clearly indicated--available to the public for at least 15 days before the Department adopts the amended guidelines as revised. Please send requests for copies of any modified amended guidelines to the attention of Ryan George at the address indicated below. The Department will accept written comments on the modified guidelines for 15 days after the date on which they are made available.

AVAILABILITY OF RULEMAKING DOCUMENTS

All of the information upon which the proposed amended guidelines are based is contained in the guidelines file, which is available for public review by contacting Ryan George at the address noted below.

AVAILABILITY OF FINAL STATEMENT OF REASONS

At the conclusion of this rulemaking, a Final Statement of Reasons will be prepared as required by Government Code section 11346.9. You may also obtain a hard copy of these documents by writing to the address below or calling (916) 327-1944.

CONTACT PERSON

HCD: Ryan George (Ryan.George@hcd.ca.gov)

HCD back up: Stephanie Tran-Houangvilay
(Stephanie.Tran-Houangvilay@hcd.ca.gov)

HCD address: California Department of Housing and Community Development
ATTENTION: LPR Amended Guidelines Public Comments
2020 W. El Camino Avenue, Suite 650, Sacramento, CA 95833
(916) 327-1944 / FAX (916) 263-2762

HCD website: Copies of the Notice of Proposed Action and the text of the proposed LPR amended guidelines and Initial Statement of Reasons may be accessed through our website at:
<http://www.hcd.ca.gov/grants-funding/active-no-funding/lpr.shtml>

The Department invites interested persons to present statements or arguments with respect to alternatives to the proposed guidelines during the written comment period. Inquiries concerning the substance of the proposed action should be directed to:

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E-mail: HCDLPR@hcd.ca.gov